

**REPORT OF THE AUDIT OF THE  
MARSHALL COUNTY  
SHERIFF**

**For the Year Ended  
December 31, 2001**



**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE MARSHALL COUNTY SHERIFF**

**For The Year Ended  
December 31, 2001**

The Auditor of Public Accounts has completed the Marshall County Sheriff's audit for the year ended December 31, 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

#### **Financial Condition:**

Excess fees increased by \$1,768 from the prior calendar year, resulting in excess fees of \$26,443 as of December 31, 2001. Revenues decreased by \$13,910 from the prior year and disbursements decreased by \$15,678.

#### **Report Comments:**

- The Sheriff Should Publish The Annual Financial Statement Timely
- The Sheriff Should Maintain Accurate Financial Records

#### **Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Mike Miller, Marshall County Judge/Executive  
Honorable Terry Anderson, Marshall County Sheriff  
Members of the Marshall County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Marshall County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepared the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Mike Miller, County Judge/Executive  
Honorable Terry Anderson, Marshall County Sheriff  
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In accordance with Government Auditing Standards, we have also issued our report dated July 19, 2002, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff Should Publish The Annual Financial Statement Timely
- The Sheriff Should Maintain Accurate Financial Records

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
July 19, 2002



MARSHALL COUNTY  
TERRY ANDERSON, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2001

Receipts

Federal Grants:

Byrne Formula Grant	\$ 59,055	
Universal Hiring Grant	18,127	
Local Law Enforcement Block Grant	8,486	
Community Oriented Policing Services Grant	<u>8,230</u>	\$ 93,898

State Grants:

Kentucky Law Enforcement Foundation Program		59,877
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State Fees For Services:

Finance and Administration Cabinet	\$ 46,759	
Cabinet For Human Resources	<u>450</u>	47,209

Circuit Court Clerk:

Sheriff Security Service	\$ 15,900	
Fines and Fees Collected	<u>7,635</u>	23,535

Fiscal Court		124,860
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County Clerk - Delinquent Taxes		4,907
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Commission On Taxes Collected		435,416
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Fees Collected For Services:

Auto Inspections	\$ 14,871	
Accident and Police Reports	1,605	
Carrying Concealed Deadly Weapon Permits	7,893	
Serving Papers	29,602	
School Resource Officer	26,977	
Impounded Vehicles	1,550	
Polygraphs	800	
Sheriff's Add-on Fees	58,466	
Sheriff's Advertising Fees	4,880	
Sheriff's Advertising Charges	<u>6,832</u>	153,476

Other:

Insurance Reimbursements	\$ 1,466	
Other Reimbursements	25,754	
Miscellaneous	<u>1,987</u>	29,207

The accompanying notes are an integral part of the financial statement.

MARSHALL COUNTY  
TERRY ANDERSON, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
For The Year Ended December 31, 2001  
(Continued)

Receipts (Continued)

Interest Earned	\$ 2,149
Borrowed Money:	
State Advancement	<u>166,971</u>
Total Receipts	\$ 1,141,505

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$ 650,219
Kentucky Law Enforcement Foundation Program - Salaries	63,870

Contracted Services-

Advertising	6,684
Vehicle Maintenance and Repairs	

Materials and Supplies-

Office Materials and Supplies	8,379
Deputy Supplies	59
Uniforms	6,317

Auto Expense-

Gasoline	32,411
Maintenance and Repairs	10,823
Miscellaneous	707
Equipment	369
Tires	5,348

Other Charges-

Conventions and Travel	9,993
Dues	837
Postage	9,293
Equipment	8,486
Bond	1,313
Miscellaneous	12,382
Transporting Prisoners	7,721
Carrying Concealed Deadly Weapon Permits	5,330
Radio Expense	3,395
Radar Expense	522
Telephone/Pagers	3,578
Breathalyzer Testing	268
Jury Meals	37
K-9 Expense	478

The accompanying notes are an integral part of the financial statement.

MARSHALL COUNTY  
TERRY ANDERSON, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
For The Year Ended December 31, 2001  
(Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Capital Outlay-

Office Equipment	\$	6,778
Officer Equipment		11,618
Vehicles		15,921

Debt Service:

State Advancement		<u>166,971</u>
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Total Disbursements		<u>\$ 1,050,107</u>
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Net Receipts		\$ 91,398
Less: Statutory Maximum	\$ 63,495	
Less: Training Incentive	<u>1,460</u>	<u>64,955</u>

Excess Fees Due County for 2001		\$ 26,443
Payments to County Treasurer - May 7, 2002	\$ 2,646	
July 19, 2002	<u>23,797</u>	<u>26,443</u>

Balance Due at Completion of Audit		<u><u>\$ 0</u></u>
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The accompanying notes are an integral part of the financial statement.

MARSHALL COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months of the year and 6.41 percent for the last six months of the year. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.78 percent for the first six months and 16.28 percent for the last six months of the calendar year.

MARSHALL COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2001  
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Drug Fund

The Sheriff maintains a drug fund. This fund is used primarily for drug enforcement and prevention. The drug fund balance as of January 1, 2001, was \$4,798. Receipts consisting of drug forfeitures and interest were \$563 for calendar year 2001. Disbursements for drug enforcement and prevention were \$3,506 for calendar year 2001. The drug fund balance as of December 31, 2001 was \$1,855.

Note 5. Drug Awareness Resistance Education Fund

The Marshall County Sheriff's Office maintains a Drug Awareness Resistance Education (D.A.R.E.) fund for the promotion of drug awareness and drug prevention among local youth. The D.A.R.E. fund had a balance of \$4,588 as of January 1, 2001. Receipts for calendar year 2001 consisting of interest and donations were \$2,965. Disbursements for D.A.R.E. supplies were \$2,488. The balance of the D.A.R.E. fund as of December 31, 2001 was \$5,065.

MARSHALL COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2001  
(Continued)

Note 6. Federal Grants

The Marshall County Sheriff's office received the following federal grants:

A. Byrne Formula Grant

The Marshall County Sheriff's office was awarded a Byrne Formula Grant for the Tri-County Drug Task Force in October 2000 in the amount of \$219,875. During the year ended December 31, 2001, grant funds of \$59,055 were received.

B. Community Oriented Policing Services Universal Hiring Supplement Grant

The Marshall County Sheriff's office was awarded a Community Oriented Policing Services Universal Hiring Supplement Grant in March 1998 in the amount of \$75,000. During the year, grant funds of \$18,127 were received.

C. Community Oriented Policing Services Grant

The Marshall County Sheriff's office was awarded a Community Oriented Policing Services grant in April 1999 in the amount of \$37,384. During the year, grant funds of \$8,230 were received.

D. Local Law Enforcement Grant

The Marshall County Sheriff's office was awarded a Local Law Enforcement Grant in April of 2000 in the amount of \$5,000. The balance of the grant as of January 1, 2001 was \$2,241. During calendar year 2001, the Sheriff's office was awarded two supplemental grants in the amount of \$5,000 and \$6,000. Receipts consisting of grant funds and interest for the year ended December 31, 2001 were \$11,066. During the year, expenditures for equipment were \$8,486. The balance of this grant as of December 31, 2001 was \$4,821.

Note 7. Kentucky Law Enforcement Foundation Program Fund

The Marshall County Sheriff's Office participates in the Kentucky Law Enforcement Foundation Training Incentive Program. This program administered by the Kentucky Justice Cabinet is designed to adequately train the Sheriff and his officers. During the year, grant funds of \$59,877 were received.

## COMMENTS AND RECOMMENDATIONS





MARSHALL COUNTY  
TERRY ANDERSON, COUNTY SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2001

STATE LAWS AND REGULATIONS:

1) The Sheriff Should Publish The Annual Financial Statement Timely

The Sheriff did not publish his 2001 annual financial statement timely. KRS 424.220 requires the Sheriff to cause the financial statement to be published in full in a newspaper within sixty days after the close of the Sheriff's fiscal year and be filed in the office of the County Clerk. We recommend the Sheriff publish his annual settlement to be in compliance with KRS 424.220.

*County Sheriff's Response:*

*Was incomplete resulting from Grant reimbursements not being received yet. We did not publish until all receipts were in and that was after the sixty days.*

2) The Sheriff Should Maintain Accurate Financial Records

During our audit, we noted that the fourth quarter financial statement did not agree to the Sheriff's Annual Settlement or the recap of receipts and disbursements prepared by the Sheriff's office. The fourth quarter financial statement was not amended to agree to the receipts and disbursements ledgers. KRS 68.210 requires a complete and accurate report of all financial activities. We recommend the Sheriff require all reports submitted be complete and accurate in order to comply with KRS 68.210.

*County Sheriff's Response:*

*This has been corrected already for 2002.*

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





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**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of receipts, disbursements, and excess fees of the Marshall County Sheriff for the year ended December 31, 2001, and have issued our report thereon dated July 19, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Marshall County Sheriff's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Sheriff Should Publish The Annual Financial Statement Timely
- The Sheriff Should Maintain Accurate Financial Records

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Marshall County Sheriff internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
July 19, 2002

